

App. F. IX-4

Previous References

L. 7. Dep. no 17-36

1936-7
(C. S.)

File No. 11-36

Serial Nos. 66, 289

Letter References

PRESERVED

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. *W7*

Part B for *Aug 27/36*

SUBJECT.

Chapter VIII of the Report

Recommendations of the Committee on Cooperation in regard
to long term finance

G.O. no 1373-5 & 26.8.38

Regd. C. S. is Comptroller to Govt

WD 0205-GPR-22,500-18-8-87

President, Mysore Central
Cooperative L. M. Bank.

*pass over on _____ in regard
to Chapter VIII*

V7

4631-36
584-37

GENERAL AND REVENUE SECRETARIAT.

(b.f.)

NOTES.

File No. 11-36

FILE HEADING.

Recommendations of the Committee on Co-operatives
in regard to Long Term Finance.

FROM

The Registrar of Co-operative Societies

No. 6931

Dated 22-2-37

Received 23-4-37

Diary No. 463}

Enclos. 2. Spare copies -

{ Serial No. 66

BRIEF ABSTRACT OF LETTER

Transmitted his opinion on the above recommendations
of the Committee. Contained in Chapter VIII - Long
Term Finance - of their Report.

NOTES AND ORDERS.

D.O. Letter No S. 9.39 dated 28-7-37 from the
President of the L.M. Bank regarding a note
on the points raised by the Committee on Co-operatives
in regard to the Land Mortgage Bank.

D.O. Letter No D/1116 dated 2/8/37 to the Registrar of Societies
him to send the said letter on the 3rd August 37
Note from the Registrar of Co-operative Societies

File No.

11

of 1936.

General and Revenue
Secretariat

submitting his opinion on the several points
raised by Mr. Sullivan & Co.

A summary of the proposals of the President
L. M. Bouché and other important recommendations
of the Committee together with the steps of pending
or disposal is placed below for reference.

Proposals for the appointment of 3 inspectors solely
for L. M. work have been received and have
separately sent for orders. ~~The same~~

As the appointment of separate valuers
the Director has stated that there will be
concomitant with reorganisation of the inspectors.

Submitted for order under the ~~existing~~
question of putting up a new order on Chapter VIII
may wait the disposal of the question pending

It need not

past instruction
to the

do
3/9/39
mm

Files are separately submitted
to the member for orders. Progress of
these files must not be lost sight of

for
mm
17937

by
17.9.39

Srs B for the
end of Oct 39

do
17.9.39
1:25

Off G O on the recommendations contained
in Chapter VIII of the Report is also for approval

do
28/12/39

Reg. Secy G.)

105
9/12

Hept
11
General and Revenue
Secretariat

5812
5
Recommendation of the Committee on Cooperation
in regard to long term finance
CS. File No. *11* of 193*8*. [App. F. III-2]

Serial
No.

DH Co for approval

Dr
11.7.38

11 member

*Revised draft submitted as
instructed*

Dr
13.8.38

11 member

*Approved. May be subd to I Member
for concurrence through the Chief Secy*

nu
15.8.38

1205

*I presume copies of
draft orders are
being sent with
covering letter to
Mr Chaurasanthara*

nu

This is being done.
(S)

Dr. Ch. Secy
I member

Dr
15.8.38

(S)
15.8.38
(S)
16/8

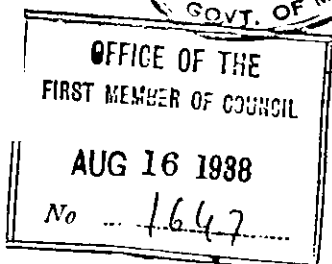
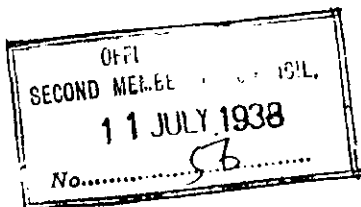
Sp2
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Dr
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Dewan

Dr
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Dr
19.8.38



NOTE—Contn. Sheet.

Issued
15/8

65 File No.

11

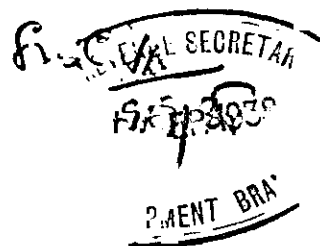
of 193 6

General and Revenue
Secretariat

G.O. No D 1373.5 dated 26/8/38 paras on
the recommendations contained in
Chapter VIII of the Report of the Committee
on Cooperatives

Do. Letter No 1641 dated 27/8/38 to Mr. Channarayana
for forwarding a copy of the G.O.

Chapter
VIII



No.

6931

C.S.

Encl One

GOVERNMENT OF MYSORE

4631

DEPARTMENT OF CO-OPERATION.

Telegraphic Address:

"CO-OPERT"

BANGALORE

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES
IN MYSORE.

C-5-11-36-66

Dated, Bangalore 22nd February 1937.

From

GULAM MOHIYUDDIN MEHKRI, ESQ., B.A., LL.B.

Registrar of Co-operative Societies in Mysore

RECEIVED
23 FEB 1937
Bangalore.

To

GENERAL SECRETARY

22 FEB 1937

Mr. Venkatesa Iyengar, Esq., M.A.,

General Secretary to the Government
of Mysore, Bangalore.

DEVELOPMENT DEPARTMENT

Sir,

In continuation of my letter No.6724 dated 16th Febry. 1937, I have the honour to forward, herewith, for orders of Government, my views on the recommendations made by the Mysore Co-operative Enquiry Committee - 1936, in Chapter VIII of - their Report.

I have the honour to be,
Sir,
Your most obedient servant,

M. S. K. Ali
Registrar. 18/2

L.S.19/2.

CO-OPERATIVE ENQUIRY COMMITTEE REPORT.

1936.

Reference to Subject
No. of page of the matter in
Chapter. Report. brief.

Action taken or proposed to be taken.

VIII. 132-33. Policy as to long-term finance.

The combination of short and long-term finance is inadvisable and likely to lead to disastrous results. Long-term finance should be left entirely to land mortgage and other special institutions. In classifying purposes and periods some elasticity is desirable. The description "short-term" may include advances up to five years, those ranging between five and ten years being classed as "intermediate"; loans for periods exceeding ten years will then fall under "long-term." The policy indicated must be given effect to steadily and systematically, so as to correspond with the extension of land mortgage and other long-term facilities.

While land mortgage institutions should as a rule confine themselves to long-term finance, leaving the ordinary credit societies to undertake short-term credit, it is not unreasonable that, when a land mortgage bank lends money on the security of land, it should also provide a small margin for working expenses in the shape of a floating advance which will be a first charge on each year's crop.

The policy enunciated by the Committee regarding ~~the~~ long-term and short-term finances ^{is well known} will be borne in mind and followed.

[I have already in my letter No. 1063 dated 15th August 1935 given my opinion that] where a Land-Mortgage Bank has already lent money on the security of lands it should also make other advances for cultivation purposes etc. [For the reasons stated in that

letter, this seems to be essential. Reference is also invited to my letter No. 4903 dated 24th February 1936 where with a copy of the Resolution in the matter passed at the XXII Provincial Co-operative Conference was sent. This matter was also discussed at the Conference of the Land Mortgage Societies when the President of the Land Mortgage Bank said that [the Bank had ^{no} objection to the grant of short-term loans by the societies from their surplus share capital to their [indebted] members who were regular in the payment of their annual loan instalments, and that the Bank would consider the question of advancing from its share capital the funds required for the

the grant of such loans by such of the societies as were regular and prompt in the payment of their loan instalments.

[I have to add that] the primary societies will not be in a position to make these advances [as suggested by the President of the Land Mortgage Bank] unless they are financed for this purpose by the [latter ^{Bank} institution which is quite capable of doing it]. Besides the debentures which the Bank has raised and can further raise for the issue of long-term loans it has now a paid up share capital of Rs. 62,970 which will be further increased with each new loan granted by 1/20 of that amount. These shares are not returnable within 10 years from the date of subscription and are thus easily available for the issue of short-term loans. If further funds are needed which seems rather a remote contingency, the Land Mortgage Bank can with its position and financial stability easily find them from deposits or by opening a cash credit account with the Provincial Bank. As explained in my letter above, alluded to, the primary societies are devoid of such resources.

VIII. 138-39.

Limit of loans issuable by Land-Mortgage Societies.

I still hold the view that the limit of Rs. 500/- is more desirable.

But

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The minimum limit of Rs. 500 for loans tends to shut out many persons whose needs are more moderate, and may be lowered to Rs. 300 in the interests of the smaller agriculturists, provided the minimum period is also reduced to twenty years.

VIII 139 Rate of Interest on Land Mortgage Loans.

The rate of interest charged on loans, namely, eight per cent, is too high under existing conditions, and far beyond the capacity of the ordinary agriculturists. The rate charged should not, as a rule, exceed six per cent.

The concession asked for by the Land Mortgage Bank, in the matter of the continuance of the annual grant of Rs. 5,000 for working expenses for two or three years more, may be granted on the understanding that immediate effect is given to the lowering of the rate of interest. Even without such extraneous aid, and under normal conditions, allowing a margin of one and a half per cent for meeting expenses, it ought not to be difficult for the Bank to lend at six per cent the money it is able to get at four and a half per cent or less.

But in view of the persistent demand from the public and the recommendation of the Committee, the limit may be lowered to Rs. 300 as suggested by the Committee provided that the term of repayment of such loans also is reduced. A resolution has been passed to the same effect at a recent Conference of Land Mortgage Societies also. Vide Letter No. 6928/C.S. Dated 22 February 1937.

The Land Mortgage Bank has raised its first debentures to the extent of Rs. 2,18,500 at 5 per cent and the next two debentures of Rs. 62,500 and Rs. 1,85,100 at 4½ and 4 per cent respectively. It is only the present series that they have hopes of getting cheaper. With its increased transactions and a heavy establishment to maintain, the Bank in order to meet its expenses had necessarily to keep rather a wide margin between its borrowing and lending rates. With the raising of the cheaper money and the increase of transactions, the Bank hopes and intends to reduce its lending rate as quick and as much as possible, ultimately bringing it down to 6 per cent. In fact when the Bank realised some extra profits in the shape of premium, it utilised a good portion of it for the grant of rebates thus reducing the rate of

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of interest to all borrowers by half percent. But in order to give immediate relief to the borrowers in the shape of lower rate of interest - Government may as recommended by the Committee grant a subvention of - Rs.5,000 to the Bank for some 3 years to come provided it agrees to have a Government Official as its Secretary and reduces its rate of interest to 6 per cent immediately. (Vide letter No. 6930 /C.S. dated 28th February 1937.).

VIII. 140

Separate Staff for valuation of investigation of loan records of Land Mortgage Societies.

The tacking on of valuation work to Circle Inspectors is not a satisfactory arrangement, as the Inspectors cannot do the work promptly along with their ordinary duties of a varied

character. A paid staff for the investigation of loan applications seems quite necessary in addition to the local committee members. The cost will have to be borne by Government for the next few years, after which the Central Land Mortgage Bank should bear it, the affiliated societies contributing from the realizations under amortisation fee.

To have a separate valuation Staff will be very costly. The present arrangement of entrusting the work to local Co-operative Inspectors seems to work more satisfactorily and also tends towards speedier investigation, but where such work is tacked on to Inspectors the charge of each such Inspector should not consist of more than 35 societies. This would involve a regrouping of charges of Inspectors and employment of additional Inspectors. Separate proposals will be submitted for the employment of additional staff in another connection.

do. 141 Suggestions for speeding up the disposal of loan applications.

The disposal of loan applications and disbursement of loans sanctioned may be accelerated by the adoption of the various suggestions made in the Report.

Most of the measures suggested by the Committee in this respect have already been adopted.

It will be an advantage to utilize the services and local knowledge of co-operative and land mortgage societies for the distribution of Takavi and Land Improvement Loans. In fact, it is advisable that loans to members of such institutions should be generally made through them and not directly. But societies must in that case be given the same rights of priority and the same privileges as to recovery of dues as are applicable to the case of loans granted direct by Government.

Bank.

The requirements of the class of large landed proprietors, among them owners of the bigger Indian coffee estates in the Malnad, whose debts exceed Rs. 10,000, cannot be adequately met by the ordinary co-operative societies or by the co-operative Land Mortgage Bank, owing to the nature and extent of the financial assistance required. The needs of these large owners can only be met by the formation of a special type of Mortgage Bank.

do. 151. Direct conciliation through societies.

Direct conciliation through the medium of co-operative and land mortgage societies may occasionally be possible. But it can only be done on a purely voluntary basis, and on the understanding that in all such cases the societies are prepared to help the debtor to discharge his liabilities and in the last resort to take them over themselves.

Takavi Loans

It will be an advantage to utilize the services and local knowledge of co-operative and land mortgage societies for the distribution of Takavi and Land Improvement Loans. In fact, it is advisable that loans to members of such institutions should be generally made through them and not directly. But societies must in that case be given the same rights of priority and the same privileges as to recovery of dues as are applicable to the case of loans granted direct by Government.

The Usurious Loans Regulation is already in force in Mysore.

The Debt Conciliation Bill has just passed into Law. The Money Lenders' Bill is under Government consideration.

The recommendations of the Committee regarding the Land Mortgage Bank taking up conciliated debts will be borne in mind and given effect to as far as possible.

The grant of Takavi Loans through Co-operative Societies has been tried in a few selected societies and even there the scheme did not work well. The present arrangement seems to be the best.

M. S. Kuttan
Registrar.

14 and 15. Agency of ordinary credit societies and of Land Mortgage Bank. Direct conciliation through societies.

The suggestions may be examined by the registrar with reference to what is done elsewhere.

16. Credit requirements of large proprietors.

The suggestion of the Committee that the requirements of large proprietors like owners of coffee estates can be met by Land Mortgage Banks of any kind seems to require further examination. The amounts involved are so large as also the number of persons requiring help that no Land Mortgage ~~bank~~ institution would be able to meet all the requirements. These needs are now met from so many sources that it would be difficult to replace all of them by one institution organised on Land Mortgage lines.

17. Takavi loans.

The existing arrangements may continue.

the Fourth All India Co-operative Conference, B a n g a l o r e.
held on 3rd & 4th July 1937.

Resolutions passed.

1. This Conference resolves to request the Government of India to so amend the Indian Income-Tax Act as to exempt from ~~Income~~ Income-Tax and Super Tax the incomes derived by co-operative societies from (a) investment of their own reserve funds in Government securities; (b) investment in Government securities for purposes of fluid resource to be maintained on a prescribed scale, under statutory obligation, in force in each province.
 2. This Conference does not agree with the view that the provincial Banks will not command confidence of the investing public, by their Boards being largely composed of borrowers. The constitution of Apex Banks is in accordance with sound principles of co-operation and they do command in abundance the confidence of the public.
 3. This Conference is of the opinion that the statement made by the Reserve Bank that the margin between the lending rate and the borrowing rate of co-operative Banks is low and the rates should be raised, is not generally correct. The margin of profit depends mainly upon the borrowing rates, lending rates, cost of management, etc.
- While conceding that these factors depend upon local conditions and circumstances, this conference places on record its considered opinion that the aim of co-operative societies should be to make credit as cheap as possible and the existing rates of interest should not be raised, except when by local conditions it is considered absolutely necessary.

4. This Conference considers it undesirable to provide any representation to depositors, as such, on boards of Provincial Banks, whether by nomination or other means.

5. This Conference while agreeing with the view that long term credit should be provided only through Land-mortgage Banks is not in favour of the recommendation that loans from Central Banks and societies should be strictly confined to cultivation finance only.

Other necessary forms of short and intermediate credit required by members should also be found in order to prevent them from resorting to money-lenders. Provided however, that the deposits and borrowings of the banks should be so regulated as to permit such loans being granted from those sources.

6. This Conference, while recognising the necessity of bringing down the level of the debts of members where there is no reasonable prospect of their recovery in full even if long extensions are given, does not consider it desirable that any hard and fast rules should be laid down for all banks and in all areas. With the rise in prices and other favourable conditions the position may change as it has done already in certain areas; and it must be left to the Banks and societies to deal with the problem according to local conditions.

7. This Conference, while agreeing with the proposal that a statutory fixed or agricultural charge upon produce should be created, does not favour any special provision for sending to prison of members who dispose of their produce without repaying the societies' dues.

8. This conference recognizes that multiple purpose societies have proved beneficial in certain areas and possess some advantages where they can be successfully set up, and while it is not prepared to recommend it for general adoption, is of opinion that such societies may be tried wherever circumstances permit.
9. This Conference is unable to agree with the view that Central Banks operating over small areas are preferable to larger banks and that large district banks must be split up into small banks
10. This Conference, while it recognizes that a pure type of central banking union composed entirely of primary societies and with no individual shareholders has much to commend in it, from a co-operative point of view, it is of opinion that such unions are not capable of being developed and efficiently worked in many areas. They were tried and abandoned in some areas. The matter must be left to local co-operative enterprise according to local conditions.
11. This Conference agrees with the view that the practice of making debentures of land mortgage banks redeemable at any time is unsound and that a period should be fixed for the redemption of those debentures; a fund into which collections of principal are pooled should be formed for redeeming debentures and provision should also be made for retiring them by purchase in open market whenever possible.

12. This Conference favours the free and compulsory licensing and registration of all money-lenders, requiring them to maintain regular and standardised accounts and fixing the maximum rates of interest allowable on agricultural loans.
13. Societies for members of depressed classes who are employed in Municipalities and in trades like skins and hides be encouraged and strengthened.
14. This Conference requests the co-operative institutions to popularise the movement among women and enlist them as members in large numbers in all types of societies.
15. Government of every Province and State be requested to give liberal and substantial financial help to the Provincial Co-operative Institutes and Land-mortgage Banks out of the Provincial or State Revenues.
16. This Conference requests the Government to take suitable steps so that co-operative societies holding shares in the Reserve Bank of India should be permitted to nominate by a duly authenticated resolution of the committee any member of the society as a representative to attend and vote at general body meetings of the Reserve Bank.
17. This Conference is of opinion that it is essential that the officer selected for the post of the Registrar should first have undergone special training and have shown by experience

experience his fitness for the work. He should be allowed to visit other Provinces of India as well as Europe to study the co-operative movement there. There should be an officer under training to succeed the Registrar.

18. This Conference requests the Governments to make statutory provision for notice in writing of not less than thirty days being given to a co-operative society before any suit is filed against it.

19. This Conference is of opinion that the recommendation of the Mysore Co-operative Enquiry Committee prohibiting grant of loans to non-member depositors on the security of their deposits is unsound. The Bank must have discretion in granting such loans.

TH SORE CENTRAL CO-OPERATIVE LAND MORTGAGE BANK, LTD.,
P.O. No. ⁵⁹ 39- Encls two

RAJASADHARHUSHANA DIWAN BAHADUR
K. R. SRINIVASIENGAR, M.A.,
PRESIDENT.

13
ALBERT VICTOR ROAD, CHAMARAJPET,
BANGALORE CITY.

Dated 27th July 1937.
8/16

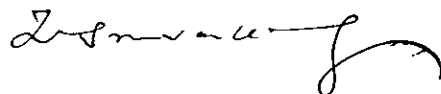
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Dear Mr. Madhava Rau

I herewith enclose a note on certain points on which the orders of Government are required for the efficient and successful working of the Land Mortgage Scheme. I request that you will be good enough to give favourable consideration to the proposals contained in the note and have orders of Government passed thereon as early as possible.

Yours sincerely,



Rajamantrapravina
N. MADHAVA RAU, B.A., B.L.,
Member of Council,
Bangalore.

I. NEED FOR A SPECIAL STAFF OF INSPECTORS AND DEPUTY REGISTRAR TO ATTEND TO THE WORKING OF THE LAND MORTGAGE SCHEME.

The Land Mortgage Scheme was introduced in the State and the Central Land Mortgage Bank at Bangalore was brought into existence in November 1929. A special staff of two Valuers whose salary was met by Government was employed for about four years after the introduction of the Scheme, to attend to the investigation of loan applications and other work connected with the Land Mortgage Bank; but one of them was dispensed with on 1st January 1934, and the other on 30th June 1934, and their work was entrusted to the Co-operative Inspectors in charge of the Taluks concerned. This arrangement which has been in force for the past three years is found to be attended with considerable disadvantage. The majority of the Co-operative Inspectors have not the qualifications required for evaluating the lands offered as security, determining questions of title relating to the lands etc. Secondly, many of the Inspectors seem to consider the work connected with Land Mortgage Bank as a gratuitous piece of service rendered and a favour done by them to the Bank, and do not therefore give adequate attention to the work. Thirdly, even the few Inspectors who may be qualified and willing to do justice to the work connected with Land Mortgage Societies in their Taluks find it impossible to give sufficient attention to it along with their normal duties of supervision, ~~and~~ and control of the ordinary Co-operative institutions in their jurisdiction. For these reasons, the investigation of loan applications by the Inspectors is considerably delayed (the period of delay often extending from six months to a year) and is also, in many cases, done perfunctorily, leading to protracted correspondence entailing further delay. Instances in which the delays were brought to the notice of the Registrar are sought to be explained by the Inspectors on the ground that they could not give prompt attention to the Bank's work along with their normal duties in the Department. In all the British Provinces in India, as also in the Native States wherein the Land Mortgage Scheme has been introduced and is in operation, a separate staff of officers has been appointed

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appointed to attend to the investigation of loan applications and other work connected with the Scheme. In Madras, in addition to a staff of 20 Sub Deputy Registrars, at the rate of one for every three or four Land Mortgage Societies, two special Deputy Registrars have also been appointed to give sole attention to the development and working of the Land Mortgage Scheme. In view of the fact that the operations of the Land Mortgage Scheme have been already extended to 29 Taluks in all the Districts of our State and of the likelihood of the further spread of the operations to the other Taluks also for which there has been repeated and incessant demand from all parts of the State, it is absolutely necessary that, if the Scheme is to prove a success and to serve the object aimed at by it, a separate staff of officers should be appointed, as in Madras and other places, to give sole attention to the work connected therewith. I would therefore strongly urge the appointment of a separate staff of eight officers, at the rate of one for each of the Districts, or at least six officers immediately for the current year, to give sole attention to the working of the Land Mortgage Scheme. As these officers should have a fair knowledge of Revenue and Civil Law as also some experience in dealing with the ryots and the valuation of their lands, it is highly desirable that they should be selected from among the senior and experienced Co-operative Inspectors/ or other officials of the Revenue Department, the selection of the officers being made by the Registrar, in consultation with the President of the Land Mortgage Bank and the Revenue Commissioner (in the case of officials of his Department). These officers may be given a salary ranging from Rs. 60/- to Rs. 80/- per mensem, according to their qualification and their standing and permanent pay in their respective Departments.

2. The appointment of a separate staff of Inspectors for attending to the work of the Land Mortgage Societies has been recommended by the Committee on Co-operation (vide pages 140 and 217 of their Report) and has also been urged by me in my letter dated 13th April 1937 to the Registrar. The Registrar has however, in forwarding my proposal

proposal to Government with his letter dated 22nd April 1937, expressed himself in favour of strengthening the ordinary staff of the Co-operative Inspectors instead of having a separate special staff for the Land Mortgage work. I am sorry I am unable to agree with the Registrar. With my experience of the existing arrangement and for reasons given above, I do not think that an addition to the strength of the Co-operative Inspectors, and a redistribution of their charges will tend to rectify the defects and disadvantages which are incidental to the present system of tacking on the work of the Land Mortgage Scheme to these Inspectors.

3. I would also strongly urge that an officer of the grade of Deputy Registrar may be specially deputed to look after the working ~~and~~ and development of the Land Mortgage Scheme. He may work in close co-operation with the Land Mortgage Bank, like the Deputy Registrars deputed for Land Mortgage work in Madras, and be in charge of and ^{over} ~~with~~ control and supervision over the special staff of Inspectors (~~Sub Deputy Registrars~~) referred to in para 1 above.

II. GRANT REQUIRED FROM GOVERNMENT TO EFFECT A REDUCTION IN THE RATE OF INTEREST CHARGED ON THE BANK'S LOANS TO THE INDEBTED AGRICULTURISTS.

4. The Bank is now charging seven per cent interest on the amounts advanced to the Primary Societies, who in their turn charge eight per cent on the loans granted to their borrowing members. This is too high a rate for the agriculturist to pay from the income on his lands. In Madras, the rate of interest charged to the ultimate borrower has been recently reduced to five per cent; and this has been rendered possible, firstly because they have raised the greater portion of their debentures at 3 to $3\frac{1}{2}$ per cent, and secondly, the transactions of the Bank which amount to nearly a crore of Rupees at present - and are further increasing at the rate of about three lakhs per month - make it possible for the Bank to make a considerable profit, after meeting all their expenses, with a margin of only one per cent between their borrowing and lending rates. Here, in Mysore, the first series of debentures was issued for Rs. 2,18,500 at 5 per cent, the second series for Rs. 62,500 at $4\frac{1}{2}$ per cent, the third for Rs. 1,85,100 at 4 per cent and now the fourth series is being issued at $3\frac{1}{2}$ per cent. As the minimum

minimum period prescribed for the redemption of these debentures is ten years under the terms of their issue, the interest payable on the debentures cannot be reduced till the expiry of the minimum period prescribed for their redemption. The Bank's transactions amount at present to only about 5½ lakhs and the receipts therefrom are barely sufficient for meeting the working expenses of the Bank, even with the addition of the grant made by the Government towards the pay of the Secretary. In the circumstances, unless and until the transactions of the Bank go up to at least ten lakhs, it will not be possible for the Bank to make any appreciable reduction in the rate of interest charged on its loans from its own resources. It is for this reason that the Committee on Co-operation in Mysore recommended the grant of Rs. 5,000/- per annum (evidently in addition to the pay of the Secretary) by the Government to the Bank, for a period of two or three years, in order to enable the Bank to reduce the rate of interest on loans by at least one per cent (vide page 139 of the Report). On a reference received from the Registrar in the matter at the instance of Government, I have, after making a careful calculation of the anticipated receipts and expenses of the Bank, and taking into account the gradual expansion of the Bank's operations, asked for a grant of Rs. 7,000/- (including the grant of about Rs. 3,500/- per annum now being made towards the pay of the Secretary) in the first year, Rs. 6,000/- in the second year and Rs. 5,000/- in the third year, to enable the Bank to reduce the rate of interest to six per cent to the Primary Banks, and seven per cent to the ultimate borrowers, as against Rs. 5,000/- per annum for three years (in addition to the pay of the Secretary) recommended by the Committee on Co-operation. A copy of my letter to the Registrar, as also of his letter to Government in this respect is herewith attached. I consider this a measure of much needed and urgent relief to the indebted agriculturists in their present condition, and would strongly urge immediate sanction to the proposal so that effect may be given to the reduction during the current year itself.

III. RAISING THE RATE OF INTEREST ALLOWED BY GOVERNMENT ON DEBENTURE AMOUNTS PLACED IN THE HANDS OF THE TRUSTEE.

5. Under Government Order No. G. 12215-8/L.M. 21-29-2 dated 11-4-1930, all debenture subscriptions obtained by the Bank have to be forthwith handed over to the trustee and drawn ~~upon~~ from time to time as they are required for the grant of loans. In view of the changing conditions of the money market and the chances of the interest rate going up, it is desirable ~~in the interests of the Bank~~ to raise the full authorised amount of the $3\frac{1}{2}$ per cent debentures from the public as early as possible. As the amounts so raised and placed in the hands of the Comptroller - Trustee may not all be required immediately, a good portion of it will have to be left with him for six months or a year, till they are required for the actual grant of loans. During the period that the debenture amount is thus left with the trustee, the Bank is allowed interest only at the Government Savings Bank rate as noted

$2\frac{1}{2}$ per cent for sums upto Rs. 10,000/-	in the margin, while the
$1\frac{1}{2}$ per cent for amounts above -	Bank has to pay interest
Rs. 10,000/- upto one lakh, and	at $3\frac{1}{2}$ per cent to the
$\frac{1}{2}$ per cent for balances upto two lakhs, and no interest on balances exceeding two lakhs.	debenture-holders.

Further, the Savings Bank allows interest only on the minimum balances after the 4th of each month, while the debenture-holders have to be paid interest by the Bank from the date of the payment of the subscriptions by them. In both ways, the Bank has to suffer substantial loss which it cannot, in its present condition, possibly meet from its resources. I therefore request that, as a special concession to the Land Mortgage Bank and in view of the beneficent object that it serves, namely that of ameliorating the condition of the agriculturists, the Government may be pleased to authorise the Comptroller to allow interest at $3\frac{1}{2}$ per cent, on all debenture subscriptions entrusted to him as trustee of the Bank, and also to have the interest calculated on the daily balances, instead of the minimum balance for each month. If this proposal does not find favour with Government, I request that, as an alternative, the Bank may be permitted to place the debenture subscriptions obtained by

by it in fixed deposit in some recognised Bank for a period not exceeding one year, in consultation with the trustee, so that the Bank may get the highest possible interest thereon during the period that it remains unutilised for the grant of loans.

IV. REDUCTION IN THE RATE OF INTEREST CHARGED ON CASH CREDIT AMOUNTS DRAWN FROM THE GOVERNMENT.

6. In Government Order No. D. 2386-8/L.M. 5-34-2 dated the 27th/29th September 1934, the Government have been pleased to allow the Bank a cash credit of Rs. 50,000/-, interest being charged at $4\frac{1}{2}$ per cent on the amounts actually drawn by the Bank from time to time - this being the rate at which the Bank's debentures were then being issued. In view of the fact that since the issue of the above Government Order, the interest rates have considerably gone down, that the Government have been able to float their loans recently at 3 per cent, and that even the debentures now under issue by the Bank carry interest only at $3\frac{1}{2}$ per cent, I request that the interest charged on cash credit amounts drawn by the Bank from Government may be ordered to be reduced to $3\frac{1}{2}$ per cent, i.e., the rate at which the debentures are now being issued by the Bank. I request also that the amount of the cash credit sanctioned to the Bank by Government may be raised to one lakh. There can be absolutely no risk for the Government in doing so, as the amounts will be drawn only when loans sanctioned by the Bank are to be actually disbursed and will be fully covered by the securities offered by the grantees of loans, and also as the amount will be repaid in a short time either from debentures raised from the public or by the issue of debentures in favour of Government themselves up to the extent to which the Government have agreed to subscribe to the Bank's debentures.

SUMMARY OF THE PROPOSALS.

7. The proposals detailed in the foregoing note, with their financial implications, are briefly given below:-

- (1) Immediate appointment of 6 special Inspectors to give sole attention to the working of the Land Mortgage Scheme on a pay ranging

ranging from Rs. 60 to Rs. 80 (according to the qualification of the officer and his standing in service) with a fixed (or actual) travelling allowance amounting to about Rs. ^{Each} 50 per mensem. Provision has also to be made for a peon to each of the Inspectors as also for office rent and contingencies etc. The total cost involved will be:-

(a) Pay of 6 Inspectors on average salary of Rs. 75/- per mensem.	Rs. 450
(b) Travelling allowance at Rs. 50/- per mensem.	Rs. 300
(c) Menial staff and contingent allowances at Rs. 25/- each per mensem.	Rs. 150

Total.	Rs. 900 per mensem.

(2) The present Deputy Registrar or some other officer to be deputed solely to be in charge of the Land Mortgage Scheme, and work in close co-operation with the Land Mortgage Bank.

(3) Grant of Rs. 7,000/- for the current year, Rs. 6,000/- for next year and Rs. 5,000/- for the following year to the Land Mortgage Bank, to enable it to reduce its lending rate of interest by one per cent and on condition of ^{the Bank} ~~its~~ so reducing it.

(4) (a) The Bank to be allowed interest at $3\frac{1}{2}$ per cent instead of at the Savings Bank rate on debenture amounts raised by it and handed over to the trustee;

(b) Interest to be paid by Government on the daily balances and not on the minimum balances for each month.

The loss to Government involved under this arrangement may not exceed Rs. 1,000/- per mensem.

or in the alternative

The Bank to be permitted to place the debenture amounts raised by it in short term fixed deposit ^{not exceeding one year} in any Bank approved by the trustee, until such time as it may be required for the actual payment of the sanctioned loan.

(5) The amount of cash credit sanctioned by Government to the Bank to be raised to one lakh and the interest thereon reduced to $3\frac{1}{2}$ per cent.

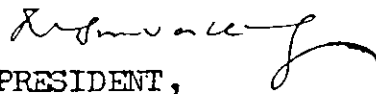
~~7/8~~ 8. If the above proposals are sanctioned, the additional grant required ~~for~~ the current year in excess of the provision made in the Budget will be about Rs. 12,500/- as follows:-

(1) Towards the pay and establishment etc., of the Special Inspectors (for the remaining ¹⁰ months of the year at Rs. 900/- per mensem). Rs. 9,000

(2) Towards grant for reducing the rate of interest. Rs. 7,000, minus Rs. ^{*}3,150 already - provided in the Budget towards the Secretary's pay. Rs. 3,850

Total. Rs. 12,850 or
in round figures Rs. 12,500/-.

* (Note: This will in any case have to be increased by about Rs. 750/- as the Government have undertaken to meet the charges towards the salary of the Secretary for the year which will amount to about - Rs. 3,900/- (inclusive of his allowance and pensionary contribution).


PRESIDENT,

Mysore Central Co-operative Land Mortgage Bank Limited.

T.V.L.



Letter No. S.I. 454 dated 13th April 1937 from the President, Mysore Central Co-operative Land Mortgage Bank Ltd., Bangalore City, to the Registrar of Co-operative Societies in Mysore, Bangalore.

With reference to your letter No. 7725-C.S. dated 25-3-1937 inviting reference to the recommendation of the Committee on Co-operation regarding the grant of an annual subvention of Rs. 5,000/- to this Bank for two or three years in order to enable it to reduce the rate of interest on its loans to 6 per cent, and enquiring whether the Bank would have as its Secretary a Government Official and agree to reduce the interest on its loans from 7 to 6 per cent if an annual subvention of Rs. 5,000/- is granted by Government, I have the honor to state as follows:-

Under the Bye-laws of the Bank, the appointment of its Secretary by the Board is subject to the approval of Government, and the Bank has all along been ready and willing to be advised and guided by Government in the appointment of its Secretary. It was in deference to the wishes of Government that the previous non-official Secretary was replaced about two years ago by the present Secretary who is a Government Officer in the Amildar's grade. If the Government consider that their interests (as the guarantors of the Bank's debentures) and the interests of the Bank will be best served only by the appointment of a Government Officer as Secretary, I do not think that the Board of the Bank will have any objection to the appointment - provided the selection of the Officer for the appointment is made in consultation with the Board or the President of the Bank.

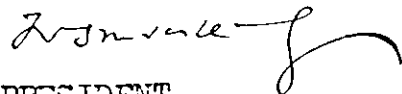
2. As regards the amount of subvention required by the Bank to enable it to reduce the rate of interest on its loans by one per cent, I think that the subvention of Rs. 5,000/- per annum which was recommended by the Committee on Co-operation on the evidence given by me before the Committee was meant to be exclusive of and in addition to the Secretary's pay which is now ~~xxx~~ borne by Government and is given to the Bank as a grant-in-aid. I beg to submit that whereas the previous non-official Secretary of the Bank was being paid a salary of only Rs. 100/- per mensem, the charges on account of the pay and allowances of the present Official Secretary who was appointed in accordance with the wishes of Government come to Rs. 300/- per mensem or Rs. 3,600/- per annum, so that if the proposed subvention of Rs. 5,000/- were to be inclusive of the Secretary's pay, the balance that will be left out of it

of it after meeting this charge will be only about Rs. 1,400/- and will be still less if the Secretary gets an increase of pay, and this will be quite insufficient to meet the loss which will accrue to the Bank by a reduction of one per cent in the rate of interest charged by it on its loans. Making allowance for the steady and gradual increase that may be anticipated in the Bank's loan transactions during the next three years, I find from calculations made by me that in addition to the pay of the Secretary, the minimum amount of subvention that may be required by the Bank during the next three years to enable it to reduce the rate of interest on its loans by one per cent will be only about Rs. 3,500/- for the first year (1937-38), Rs. 2,500/- for the second year (1938-39) and Rs. 1,500/- for the third year (1939-40), and that the subvention may be discontinued from the fourth year by which time the Bank's transactions may be expected to go up to about 10 lakhs. If the Secretary's pay and allowances (estimated at about Rs. 3,600/- per annum) be also included in the subvention, the amount of subvention required will be Rs. 7,000/- for the first year (1937-38), Rs. 6,000/- for the second year (1938-39) and Rs. 5,000/- for the third year (1939-40). I beg that the Government may be pleased to sanction the above mentioned subvention on the understanding and subject to the condition that the Bank will reduce the rate of interest on its loans to the Societies by one per cent (i.e., from seven to six per cent), a corresponding reduction of one per cent (from eight per cent to seven per cent) being made in the rate of interest charged to the individual debtors by the Societies.

3. In this connection, I beg to invite reference to the recommendation made by the Committee on Co-operation on page 140 of their Report, for a special staff of Inspectors or Valuation Officers to investigate the loan applications received by the Land Mortgage Societies. At present, these applications are investigated by the Inspectors of Co-operative Societies of the respective circles and as these officers find it impossible to give adequate attention to this work along with their other normal duties, the investigations are often considerably delayed. Further, owing ~~due~~ to the frequent changes among these officers necessitated by the exigencies of the Department, and the consequent unavoidable posting of raw and inexperienced Inspectors to some of the Taluks where the operations of the

of the Land Mortgage Scheme are in force, the quality of the investigation work is also greatly affected. For the rapid and successful development of the Land Mortgage Scheme and its working on right lines, it is necessary that a separate staff of officers should be appointed for this work, corresponding to the Sub Deputy Registrars in the Madras Presidency. As the Land Mortgage Scheme has been now extended to 25 Taluks and Sub Taluks in all the Districts except Chitaldrug, I request that you will be so good as to strongly recommend to Government and obtain their sanction for the entertainment of a special staff of seven officers - at the rate of one for each of the Districts except Chitaldrug - to be employed on the investigation of loan applications and other work connected with the working of the Land Mortgage Scheme.

" C o p y "



PRESIDENT,

Mysore Central Co-operative Land Mortgage Bank Ltd.

T.V.L.

Letter No. 8481/C.S. dated 22nd April 1937 from the Registrar of Co-operative Societies in Mysore, Bangalore, to the General Secretary to the Government of His Highness the Maharaja of Mysore, Bangalore.

With reference to your letter No. D. 6039/L.M. 14-36-2 dated - 13-3-1937 enquiring whether the Land Mortgage Bank is agreeable to have as its Secretary a Government Official and reduce the rate of interest from 7 to 6 per cent if an annual subvention of Rs. 5,000/- is granted to it by Government, I have the honour to forward herewith for the information of Government a copy of letter No. S.I. 454 dated 13th April 1937 received from the President of the Land Mortgage Bank and to recommend that Government may be pleased to grant a subvention of Rs. 7,000/- during 1937-38, Rs. 6,000/- during 1938-39 and Rs. 5,000/- during 1939-40 on the distinct understanding that the Bank should have as its Secretary an Officer of Government selected in consultation with the President of the Bank and should immediately reduce the rate of interest on loans issued by it to the affiliated Societies from 7% to 6%, the Societies in turn reducing the rates from 8% to 7% on the loans issued by them to the individual borrowers.

The President of the Bank also requests that a staff of 7 Valuers at the rate of one for each District (excepting Chitaldrug) may be appointed solely for the work connected with the Land Mortgage Bank. No doubt in the Madras Presidency the work relating to the Land Mortgage Societies has been entrusted to a special staff of Sub Deputy Registrars of concerned Districts. But in view of my recommendation that the number of Societies under the charge of each Inspector of Co-operative Societies should be reduced to about 35 to 40 and in view of the fact that the best Inspectors will be posted to Circles to which the Land Mortgage Scheme has been and will be introduced, there does not seem to be any need for a special agency of land Valuers at present. The same set of officers being entrusted with all Co-operative work in a specified area is, in my opinion, more conducive to expeditious despatch of work and efficiency..

" C o p y "


Secretary,

Mysore Central Co-operative Land Mortgage Bank Ltd.

T.V.L.

30th July

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D

Dear Mr. Srinivasiengar,

I am in receipt of your D.O. letter No.39 dated 28th July 1937 enclosing a summary of proposals made by you on behalf of the Central Co-operative Land Mortgage Bank. I am having these proposals examined and I hope the orders of Government will be passed thereon as early as possible.

Yours sincerely,

Sd. N. Madhava Rao.

Rajasabhabhushana
Diwan Bahadur K.R. Srinivasiengar, M.A.,
President, Central Co. Land Mortgage Bank, Ltd.,
Bangalore.

D.O. 12-1

Forwarded with compliments to the Secretary to Government, L.S.G. Department. I shall be glad to discuss these proposals with the Registrar of Co-operative Societies and the L.S.G. Secretary on Tuesday 3rd August 1937 at 2 P.M. Mr. Srinivasiengar's D.O. letter No.39 dated 28th July 1937 is sent herewith in original.

Intd / N.M.

Put up all
connected files

31/7
64
27.2.37
JULY 1937
DEVELOPMENT BRANCH

Diary No. of letter replied to.....

To The Registrar C.S.

Dear Sir

()

the 193

Date of issue.....

Signed by

ff. D.C. 465

1873)

Do. No D 1116 of 3/8/3,
See Sir

List of enclosures.....

Copied by

Examined by.....

I am desirous to ^{state} request
that Rajasubbalakrishna Dewan
Bahadur K. Narayana Singh or H. S.
Prasad L. M. Bank has purchased
certain properties re the working
of the L. M. Bank ^{In this connection I am} ~~and~~ to request
~~to transfer~~
you to kindly ^{decide} the question
with the II Members of Council.

Term over at 2 P.M

The note of Mr. Friedman goes as
follows: Yours sincerely

I am desired to request you

to make it convenient to -----

Wait in the Second Room

1. Hermann (1st) and wife at-

2 p. 17. in der Chambers

for the discussion of

WD 0521-GPB-30,000-12-3-37
 Certain proposed relating

to the working of the d. 17.

Bauher, furnished by

Deewan Bahadur K. A. S. Deyar.

Y. S.

by

2.8.27

Has this been done? your

phone today we just

wiring you came to me

Y. S.

3/8

Subd.

This has been issued and ascertained through
phone also that the D.O. has been received by

the Registrar of C.S.

2/2/37.

GOVERNMENT OF MYSORE.

CONFIDENTIAL.

DEPARTMENT OF CO-OPERATION.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES
IN MYSORE.

D. O. No.
Enc. one.

Dated Bangalore, 2nd August 1937

Dear Mr. Gabriel,

In connection with the meeting tomorrow at 2 P.M. in the chambers of the Second Member of Council for the discussion of certain proposals relating to the working of the land-mortgage scheme formulated by Rajasabhabhushana Diwan Bahadur K.R.Srinivasiengar, President of the Land-mortgage Bank, I send herewith a copy of my note embodying my views on the several proposals contained in the note of Mr.Srinivasiengar. I request that it may kindly be submitted to the Member for his kind information before the meeting.

Yours Sincerely,

K. S. H. H. H.

C.L.Gabriel, Esq.,
Personal Assistant to the Member of Council,
Bangalore.

add for kind information

6/3/8/37

new 3/8/37

Please keep this
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5/8/31
6/8/31

When the introduction of the Land-mortgage scheme was first ordered, Government directed that the work relating to the scheme should be entrusted to the Director of Industries and Commerce and he be designated Director of Land-mortgage Banks; that was in the year 1928. Subsequently, the report of the Royal Commission on Agriculture in India was published and one of the recommendations made by that Commission was that the Land-mortgage Scheme should be under the direct control of the Registrar of Co-operative Societies. Accordingly, the Government of Mysore ordered that the land-mortgage scheme be brought under the control of the Registrar. It was also ordered that, in view of the fact that the Registrar had his hands full, he should be given the assistance of a whole-time officer for the purpose of organising and supervising the work connected with the new scheme and this officer was designated the Registrar of Co-operative Societies and he was asked to work under the general control of the Registrar and but made responsible for all the details connected with the land-mortgage scheme. In their order of April 1931, Government directed that a senior officer should be held directly responsible for the work connected with the land-mortgage operations and "that the Deputy Registrar should be directly responsible for the starting, supervision and development of land-mortgage societies". In this order, in addition to this work, the Deputy Registrar was made the Personal Assistant to the Registrar and the inspection of societies with a working capital of over Rs 15,000/-, Central Financing Institutions and important non-credit societies, was entrusted to the Registrar and the Deputy Registrar jointly, according to a programme to be fixed by both. As a measure of retrenchment in 1932, the post of the Assistant Registrar, Kolar Division was abolished and the work relating to that division was tacked on to the Deputy Registrar. Thus naturally the work of the Deputy Registrar became heavy and the officers, whose

development of the land-mortgage scheme, had to shoulder additional responsibilities such as working as Personal Assistant to the Registrar and attending to his office work, attending to the work of the Kolar Division Office and inspecting various types of societies in addition to land-mortgage institutions. There is no denial that the work relating to the land-mortgage scheme requires the exclusive attention of one officer. But as in the course of his duties of inspecting the land-mortgage societies situated in various parts of the State he has to tour, all over the State, the inspection work of special types of societies could easily be entrusted to him. But the tacking on of the Kolar Division Office to him which was at first as a measure of economy cannot be said to be a very satisfactory arrangement and relief in this direction seems to be urgently called for. If this proposal is accepted he will be able to devote special attention to the land-mortgage scheme and also give the ^{Registrar} valuable assistance in the discharge of office work and in development work. In this connection I have to ~~take up~~ ^{touch upon} the question of the status and position of the Deputy Registrar ~~Thammasixpat~~ who according to Mysore Co-operative Committee's Report should be an officer of experience and ability, duly qualified to take up the place of the Registrar during temporary or permanent vacancies and they have also recommended that he should be given the rank of a Senior Assistant Commissioner. In the interest of the Movement and proper check and supervision his status should be above that of the Assistant Registrars and should be on a par with the status of Deputies of other Development Departments such as Agriculture, Education, Industries etc. If as suggested, his status is improved and he is given the necessary facilities and scope for work, there is no reason why the development of land-mortgage societies along with the other duties specified above should not improve. He will then be in a position to work with greater zeal and I have no doubt that the defects now observed will be very considerably remedied.

The next point referred to by the President is the necessity

for the appointment of a special staff of at least six Inspectors for the evaluation of securities in the case of applications for loans from land-mortgage societies. The then Registrar has already recommended to Government that the number of Inspectors of Co-operative Societies should be increased so that he may re-arrange the circles in charge of each Inspector so as to give special attention to the land-mortgage work. The delay in the disposal of loan applications referred to by the President is mostly due to the non-compliance by the applicants with the rules and non-production of the necessary documents for a speedy disposal of the application and not entirely due to the Inspectors (Investigating Officers). It is also seen that committees of societies are also largely responsible for the delay. In many cases, the members of the committee who are entrusted with the investigation of the loan applications do not dispose them of as expeditiously as they are expected to. The President says that the Inspectors of Co-operative Societies are generally inexperienced with regard to the investigation of titles of the applicants of the properties offered as securities for the loans. Neither the Revenue Inspectors are able to decide the questions of title. Every society is expected to have a Legal Advisor to advise it in matters of title and it does not seem to be in the province of the evaluating officer to offer any opinion regarding the title. This should be scrutinised by the society and by the land-mortgage Bank. The investigating officers should be held responsible only for the evaluation of the securities offered. It is only persons well versed in law that could furnish opinion regarding titles. Therefore the President's observation that the work of the scheme is handicapped by the absence of a special staff of officers does not seem to be well-founded. What is required is a thorough local knowledge of the repaying capacity and other relevant particulars regarding the applicant. This can certainly be had by entrusting the work to the local Co-operative Inspector who will be in charge of a small circle rather than by entrusting it to an officer with such a wide

jurisdiction as a District.

Reduction in the rate of interest on loans.

The President of the Bank has requested that a grant of Rs 7,000 in the first year, Rs 6,000 in the second year and Rs 5,000 in the third year including the grant of about Rs 3,500 per annum now made towards the pay of the Secretary may be made to the Bank to enable it to reduce its lending rate from 7 per cent to 6 per cent to societies so that the ultimate rate to the borrowers ^{may} be fixed at seven per cent. This is a measure of relief which appears to be very necessary in the interests of the Agriculturist borrowers. It is only a question of finance.

Interest on the amounts held by the Trustee.

The question of increasing the interest payable on the amount held by the Trustee and kept in the Government Savings Bank has been engaging the attention of Government from a very long time. The Bank has been repeatedly pressing this representation but Government have not been pleased to comply with the request of the Bank. If Government cannot increase the rate of interest payable on the amounts held by the trustee and kept in the Savings Bank, as a special case, the only alternative is to permit the Bank to invest the sums in fixed deposits or other securities so that the Bank may realise a higher rate of interest than that allowed by Government. This appears to be a reasonable request.

Cash-credit.

The next point urged by the President is the enhancement of the cash-credit to one lakh of rupees and the reduction of the rate of interest thereon to $3\frac{1}{2}$ per cent. The then Registrar had in his letter No. camp 29 dated 31-10-36 recommended that the rate of interest may be reduced from $4\frac{1}{2}$ per cent to $3\frac{1}{2}$ per cent. Government orders on this subject may be passed early. It is also necessary that the limit of cash-credit should be enhanced to one lakh for the reasons mentioned by the President and as

there

there is no risk to Government in this respect.

The extra cost to Government on account of the proposals made by the President will be as follows:-

special officer with special staff of six Inspectors.

No. 1. special officer and his staff.-

officer.-

pay Rs 500
T.A. 100
contingency 25

by 12

Rs 7,500

staff.-

steno-typist 50
peons 3 12 36
T.A. to these 50

600

Rs 2(432)

600

Rs 9,132

No. 2. special staff of Inspectors (6)

pay Rs 75 each
T.A. including *(Rate of)*
peon. 50
Contingency
house-rent
and peon's
pay. 25

150 by 6 Rs 900 12months.

Rs 10,800

Total

Rs 19,232

The other arrangement proposed by the Registrar of taking away the work of the Kolar Division from the Deputy Registrar and increasing the number of Inspectors of Co-operative Societies by six will cost Rs 9,192(Rs 9,192) during the first year and Rs 11,568 on the average.

Assistant Registrar of c.s.

for charge of Kolar Dn.

150 - 25/2- 250

average about 216

3 peons

Rs 10 each

30

office at Kolar: rent & contingencies

50

T.A. to officer and staff.

30

Rs 376 by 12

Rs 4,512

Additional staff of six Inspectors on Rs 40-5-75

average (1)

62

peon (1)

11

T.A.

25

98 by 6 by 12

mont

Rs 7,056

average cost per year. Rs 11,568

There would be no financial commitment on behalf of the Government if the Bank is permitted to invest the monies in

better interest yielding securities or as fixed deposits as proposed by the President.

For effecting a reduction of interest on the loans the additional grant asked for by the Bank during the year is Rs 3,850/- in addition to Secretary's pay of Rs 3,150 already provided for in the Budget for 37-38.

Bangalore 0
2nd August 1937.0

Registrar of Co-operative
Societies.

Proceedings of the Government of His Highness
the Maharaja of Mysore.

Read:-

Recommendations contained in Chapter VII
of the Report of the Committee on Co-operation
Mysore in regard to long-term finance.

2. Letter No.6931 dated the 22nd February 1937
from the Registrar of Co-operative Societies,
furnishing his views on the several recommend

3. Letter No. 39 dated the 28th July 1937 from
the President of the Mysore Central Co-operative
Land Mortgage Bank, Ltd., on the subject.

191373-75
O r d e r No. /C.S 11-36-289.

Dated, Bangalore; 26.8.38

The Committee draw attention to the fact that
in the working of co-operative societies in Mysore,
"long term credit has predominated over short term
credit, and that loans for the discharge of pre-
vious debts for land purchases and improvements
have all along been more popular and attractive
than loans for current needs." It is stated that
long term loans are nearly equal in volume to
short term loans. In view of the risks involved
in employing short term funds for the grant of
loans for long periods, and having regard to other
relevant considerations, the Committee express the
view that "long term finance is beyond the normal
sphere of co-operative credit institutions and
should be left entirely to land mortgage and other
special institutions". Government agree with the
Committee that "with the extension of land mortgage
and other long term facilities, co-operative
institutions both primary and central should pro-
gressively restrict themselves to short term and

- 2 -

"intermediate" loans, i.e., loans repayable within periods not exceeding 5 years and 10 years, respectively.

Reviewing the working of the Land Mortgage Scheme, the Committee, while recognising that long term finance is the proper province of the Land Mortgage Bank, point out that the Bank is not precluded from granting short term credit to its debtors for current agricultural operations. They recommend that when a Land Mortgage Bank lends money on the security of land, it should also provide (where necessary) a small margin for working expenses, in the shape of a floating advance which will be a first charge on each year's crop.

It is understood that this suggestion has been considered by the Directors of the Land Mortgage Bank and that short term facilities are being now allowed, in appropriate cases, to a larger extent than was possible in the earlier years of the Bank's working. Government have no doubt that this policy will be progressively extended in future.

The other recommendations made by the Committee with regard to the Land Mortgage Bank and the action taken thereon are summarised below:-

1. Orders have been passed in Government Order No.D.282/C.S. 11-36-135 dated 12th July 1937 reducing the minimum amount of loan granted by a society to a member from Rs. 500/- to Rs.300/- as recommended by the Committee and also reducing the minimum period of repayment from 25 to 15 years.
2. In order to give effect to the recommendations

of the Committee in the matter of the reduction of the rate of interest on loans granted by the Societies to 6%, Government have sanctioned, in their order No.D.3229-30/L.M. 14-36-4 dated 16th November 1937, a sub-vention of Rs.7,000/- in the first year, Rs.6,000/-, in the second year, and Rs.5,000/- in the third year, to the Central Land Mortgage Bank.

7/10/37

3. The recommendation of the Committee that the Land Mortgage work should be attended to by a separate staff has been accepted and Government have in their order No.D.3007-9/C.S. 90-36-11 dated 20th October 1937 and D.1029-30/C.S. 109-37-7 dated 9th August 1938 sanctioned eight Inspectors temporarily for one year in the first instance exclusively for Land Mortgage work. The result of this arrangement will be watched and suitable further action taken. It is reported that the recommendation of the Committee in respect of the delay in granting loans have been adopted by the Central Land Mortgage Bank and Land Mortgage Societies.

2/11/37

The latter part of the chapter is devoted to a consideration of the causes of rural indebtedness and of the measures, mostly of a legislative character, that might be adopted, in the interests of the agriculturist, for moderating the burden of debt and controlling the business of money lending. These and analogous questions have lately received the close attention of Government. A debt conciliation Act has been passed and a bill for regulating and controlling the transactions of money lending will shortly be introduced. Together with the Usurious Loans Act and the Agriculturists'

Relief Act, which are already on the Statute Book, it is hoped that these measures will give the requisite protection to the agriculturist debtor.

The question as to how far and in what manner Land Mortgage and other co-operative institutions can help in the work of debt conciliation is separately under examination.

will
13 & 35
Secretary to Government,
Local Self-Government Department.

To

The Registrar of Co-operative Societies
in Mysore.

- " Comptroller to Government.
- " President, Mysore Central Co-operative
Land Mortgage Bank.

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App. F VI G 10.

P.B. No 10/38-33

**Government of His Highness the Maharaja
of Mysore.**

29.8.38

GENERAL AND REVENUE DEPARTMENTS



a. O. No. D 1373-75/G.P. 11-36-289 DATED 26/8/38

May this be

- i. printed ? 48
- ii. treated as a standing order ? 48
- iii. published in the Gazette English Part ?
- iv. translated ?
- v. placed at the disposal of the press ?
- iv. published in the Gazette Kannada Part ?

} 48 108/27.8.

Report of the Committee on Cooperation

Pass orders on the recommendations contained
in Chapter VII of the _____ in Mysore

27/8
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**GOVERNMENT OF HIS HIGHNESS THE MAHARAJA
OF MYSORE.**

* GENERAL AND REVENUE DEPARTMENTS.

G. O. No. D. 1373-75—C. S. 11-36-289, dated 26th August 1938.

Report of the Committee on Co-operation in Mysore.

Passes orders on the recommendations contained in Chapter VIII of the —

READ—

Recommendations contained in Chapter VIII of the Report of the Committee on Co-operation in Mysore in regard to long term finance.

2. Letter No. 6931, dated the 22nd February 1937, from the Registrar of Co-operative Societies, furnishing his views on the several recommendations.

3. Letter No. 39, dated the 28th July 1937, from the President of the Mysore Central Co-operative Land Mortgage Bank, Ltd., on the subject.

ORDER No. D. 1373-75—C. S. 11-36-289, DATED BANGALORE,
THE 26TH AUGUST 1938.

The Committee draw attention to the fact that in the working of Co-operative Societies in Mysore, "long term credit has predominated over short term credit, and that loans for the discharge of previous debts and for land purchases and improvements have all along been more popular and attractive than loans for current needs." It is stated that long term loans are nearly equal in volume to short term loans. In view of the risks involved in employing short term funds for the grant of loans for long periods, and having regard to other relevant considerations, the Committee express the view that "long term finance is beyond the normal sphere of co-operative credit institutions and should be left entirely to land mortgage and other special institutions." Government agree with the Committee that, with the extension of land mortgage and other long term facilities, co-operative institutions, both primary and central, should progressively restrict themselves to "short term" and "intermediate" loans, i.e., loans repayable within periods not exceeding five years and ten years, respectively.

2. Reviewing the working of the Land Mortgage Scheme, the Committee, while recognising that long term finance is the proper province of the Land Mortgage Bank, point out that the Bank is not precluded from granting short term credit to its debtors for current agricultural operations. They recommend that when a Land Mortgage Bank lends money on the security of land, it should also provide (where necessary) a small margin for working expenses, in the shape of a floating advance which will be a first charge on each year's crop.

3. It is understood that this suggestion has been considered by the Directors of the Land Mortgage Bank and that short term facilities are being now allowed, in appropriate cases, to a larger extent than was possible in the earlier years of the Bank's working. Government have no doubt that this policy will be progressively extended in future.

4. The other recommendations made by the Committee with regard to the Land Mortgage Bank and the action taken thereon are summarised below:—

1. Orders have been passed in Government Order No. D. 282—C. S. 11-36-135, dated 12th July 1937, reducing the minimum amount of loan granted by a society to a member from Rs. 500 to Rs. 300 as recommended by the Committee and also reducing the minimum period of repayment from 25 to 15 years.

2. In order to give effect to the recommendations of the Committee in the matter of the reduction of the rate of interest on loans granted by the societies to 6 per cent, Government have sanctioned, in their Order No. D. 3229-30—L. M. 14-36-4, dated 16th November 1937, a subvention of Rs. 7,000 in the first year, Rs. 6,000 in the second year and Rs. 5,000 in the third year to the Central Land Mortgage Bank.

No. D. 1373-75—C. S. 11-36-289, DATED 26TH AUGUST 1938.

3. The recommendation of the Committee that the Land Mortgage work should be attended to by a separate staff has been accepted and Government have in their Orders Nos. D. 3007-9—C. S. 90-36-11, dated 20th October 1937 and D. 1029-30—C. S. 109-37-7, dated 9th August 1938, sanctioned eight inspectors temporarily for one year in the first instance exclusively for Land Mortgage work. The result of this arrangement will be watched and suitable further action taken. It is reported that the recommendation of the Committee in respect of minimising the delay in granting loans have been adopted by the Central Land Mortgage Bank and Land Mortgage Societies.

5. The latter part of the chapter is devoted to a consideration of the causes of rural indebtedness and of the measures, mostly of a legislative character, that might be adopted, in the interests of the agriculturist, for moderating the burden of debt and controlling the business of money-lending. These and analogous questions have lately received the close attention of Government. A Debt Conciliation Act has been passed and a bill for regulating and controlling the transactions of money-lending will shortly be introduced. Together with the Usurious Loans Act and the Agriculturists' Relief Act, which are already on the Statute Book, it is hoped that these measures will give the requisite protection to the agriculturist debtor.

6. The question as to how far and in what manner Land Mortgage and other co-operative institutions can help in the work of debt conciliation is separately under examination.

P. H. KRISHNA RAO,
Secretary to Government,
Local Self-Government Department.

To—The Registrar of Co-operative Societies in Mysore
The Comptroller to Government.
The President, Mysore Central Co-operative Land Mortgage Bank.

Exd.—C. K.

SUBJECT.....

Diary No. of letter replied to

General and Revenue Secretariat

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Date of issue.....

30.8-38

Signed by.....

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List of enclosures.....

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Examined by

Section

File No. 11-36

Serial No.

No.

67441
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Dear Sir

I am desired to forward herewith
for information a copy of G.O. No. D
1373-257 dt. 11-36-289 dated 26/8/38
having regard to the recommendations
contained in Chapter VIII of the Report
of the Committee on Cooperation
in Mysore

Yours sincerely

To

Rajashamaprasanna

Dewan Bahadur

K. S. Chandroaschekhera Iyer Esq.
B.A. B.L.

Retired Chief Justice of the

Chief Court of Mysore

Bannary Road

Bangalore city

Do. to 1661/G.11-36. ³⁰29th August
enc - 1

Dear Sir,

I am desirous to forward herewith for information a copy of Government Order No. D.1373-75/C.S.11-36-289, dated 26th August 1938, passing orders on the recommendations contained in Chapter VIII of the Report of the Committee on Co-operation in Mysore.

Yours sincerely,

JS
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29 8 38

Rajadharma Pravina Dewan Bahadur
K.S. Chandrasekhara Aiyar, Esq., B.A., B.L.,
Retired Chief Justice of the Chief Court of
Mysore,
Basavangudi Post, Bangalore City.